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Logistics Management Institute

Improving U.S. Coast Guard  
Inventory Management  
Transferring Consumable Items to  
Defense Logistics Agency Management

CG403RD1

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# Improving U.S. Coast Guard Inventory Management Transferring Consumable Items to Defense Logistics Agency Management

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## Improving U.S. Coast Guard Inventory Management: Transferring Consumable Items to Defense Logistics Agency Management

# Executive Summary

Transferring Service-unique consumable items to Defense Logistics Agency (DLA) management presents the U.S. Coast Guard with an opportunity to progress toward the major objectives it has established for its integrated logistics system. More than that, the Coast Guard will be able to execute the business processes developed in the existing supply centers with the resources it will have available in its new Engineering Logistics Center (ELC).

The Department of Defense's consumable item transfer program originally attracted Coast Guard attention for its potential as a personnel reduction initiative. The first LMI study in this area looked at whether the Coast Guard should participate in the program as a cost-saving venture.<sup>1</sup> We found the cost of continuing Coast Guard management and the cost to the units to buy the items from DLA were close enough to warrant evaluating DLA management as one option of a more comprehensive strategy for managing consumable items. We described that strategy in our second report.<sup>2</sup> Among our recommendations in that report were that the Coast Guard adopt a stockage decision logic with "transfer to DLA" as the first support option, followed by several Coast Guard-managed contractor support options, and with Coast Guard central stockage as the last choice.

In this, our third and final report on improving the management of Coast Guard consumable items, we address implementing the decision to transfer management of those consumable items to DLA and other actions ancillary to that decision. The initial step in that work is assessing the nearly 11,000 nonaviation consumable items currently managed by the Coast Guard supply centers. We recommend initiating the work by appointing a joint Coast Guard-DLA team to review — using the guidelines we describe — and select the first groups of items to be transferred to DLA management.

As the review team progresses through the existing stocks of consumable items, it will gain experience in evaluating the supply support alternatives and

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<sup>1</sup>LMI Report CG403MR1, *Improving U.S. Coast Guard Inventory Management: Should the Coast Guard Participate in the DoD's Consumable Item Transfer Program?*, George L. Slyman and James H. Reay, July 1995.

<sup>2</sup>LMI Report CG403MR2, *Improving U.S. Coast Guard Inventory Management: Establishing a Comprehensive Consumable Item Management Strategy*, George L. Slyman and James H. Reay, April 1996.

establishing the criteria to use in its selection process. We recommend the review team's process evolve to a permanent one that the ELC can use as it continues to review stocked consumable items and new items being considered during provisioning for new equipment and systems introduced to afloat and ashore units.

The consumable item transfer program was designed to bring the DoD Military Services' items under DLA in its integrated materiel manager role. The Coast Guard should enter the program under terms as favorable as those for the DoD Services. We recommend that to achieve that status, the Coast Guard initiate negotiations with DLA to complete a memorandum of agreement that lays out the transfer procedures and identifies certain criteria that the Coast Guard and DLA need to officially recognize. We recommend the following criteria be incorporated in the agreement:

- ◆ The Coast Guard will establish in the ELC a Service Item Control Center office to perform the duties of Service coordinator of a continuing consumable item transfer program.
- ◆ The Coast Guard will assign a military liaison position to DLA Headquarters in the Consumable Item Transfer Management Office until the transfer program stabilizes and will then move the position to DLA's Weapon Systems Readiness Support Office to continue coordinating the Service's participation.
- ◆ DLA will continue to use existing Coast Guard contracts whenever possible to facilitate the transition of consumable items to DLA management and permit the contracts to be merged into the normal review and renewal cycle.
- ◆ DLA will provide funding credit equal to the amount of due-in, on-contract assets to be delivered after the effective item transfer date.
- ◆ DLA will provide funding support for its automated information system changes through charges already included in the cost recovery factor, and the Coast Guard will assist DLA's Consumable Item Transfer Management Office and Weapon Systems Readiness Support Office in negotiating or defending time requirements or priorities for making the changes.
- ◆ DLA will acknowledge the Coast Guard's participation, coequally with the DoD Military Services, in the weapon systems management program.
- ◆ The Coast Guard will keep the inventory it transfers to DLA in Coast Guard storage locations and will continue processing distribution orders and referrals in accordance with Military Standard Requisitioning and Issue Procedures.

Implementing the consumable item transfer program as part of a comprehensive item management strategy and establishing a full partner agreement serve the Coast Guard's intent to reduce inventory investment, gain parity with

the DoD Military Services in DLA's support performance, enhance customer support and responsiveness to customer requirements, and make the new ELC the centerpiece of a fully integrated logistics support strategy.

Ultimately, the major advantage from transferring consumable items to DLA lies in the benefits to the ELC's inventory management business goals and the supply program manager's objectives for integrated logistics management. Those gains occur in transfer-related changes to the ELC's consumable item management business process and from the supply program manager's access to information on DLA's support performance to Coast Guard units. Having data on Coast Guard support isolated in DLA statistics lets the Service "see" how well it is being supported as compared to DoD's Military Services — a comparison that cannot be made now. Without such information, the feeling that the Coast Guard receives the lowest priority support may continue. Finally, the ability to "see" the level of performance from DLA and commercial suppliers, and to compare those to the ELC's performance, allows the supply program manager to refine supply support policy and decision criteria and look to the sources that further the goal of getting the best response time at the lowest cost.

# Contents

|  |      |
|--|------|
| Chapter 1. Introduction .....  | 1-1  |
| Overview .....   | 1-1  |
| Legal Status .....   | 1-2  |
| Other Concerns .....   | 1-3  |
| Chapter 2. Assessing Consumable Item Management Assignments .....  | 2-1  |
| Assessment Guidelines .....  | 2-1  |
| Concurrent Actions .....   | 2-3  |
| Chapter 3. The Consumable Item Transfer Process .....  | 3-1  |
| Policy and Organization .....  | 3-1  |
| Performance Objectives .....   | 3-2  |
| Basic Transfer Requirements .....  | 3-3  |
| Item Transfer Data Requirements .....  | 3-4  |
| Other Transfer Considerations .....  | 3-5  |
| Technical Engineering Interface .....  | 3-6  |
| Technical Data Requirements .....  | 3-7  |
| Procurement and Contracts .....  | 3-8  |
| Funding Consumable Item Transfers .....  | 3-9  |
| Requirements for Automated Information System Changes .....  | 3-10 |
| Weapon System Support Program .....  | 3-11 |
| Relocating Transferred Items .....   | 3-11 |
| Managing New Items .....   | 3-12 |
| Scheduling Items for Transfer .....  | 3-13 |
| Summary .....  | 3-15 |
| Chapter 4. Conclusions and Recommendations .....   | 4-1  |
| Appendix A. (DRAFT) Memorandum of Agreement Between the Defense Logistics Agency and the United States Coast Guard |      |

# Contents (Continued)

Appendix B. General Procurement Data Information Sources

Appendix C. Stratification Data Record Format

Appendix D. Examples of Technical Data

Appendix E. Glossary

## CHAPTER 1

# Introduction

## OVERVIEW

In our companion report, we present a comprehensive strategy for managing consumable items and recommend that the Coast Guard adopt that strategy to achieve the most effective and least costly management of its consumable item inventory.<sup>1</sup> As part of the Coast Guard's efforts to improve management of consumables, we believe it essential that various alternatives to the traditional stock, store, and issue approach to meeting consumable item requirements be examined. The examination should include an assessment of the nearly 11,000 nonaviation consumables currently managed by two supply centers that will be incorporated into the Engineering Logistics Center (ELC) in 1996. We believe that such an assessment should result in a decision to transfer significant numbers of the nonaviation consumable items currently managed by the Coast Guard supply centers to the Defense Logistics Agency (DLA). In this report we present both the criteria and approach for performing this assessment and the process to be pursued by the Coast Guard in conjunction with DLA to transfer selected items.

Numerous factors affect the consumable item assessment. We recommend, however, that in the interest of an objective decision process, Coast Guard management focus its decision about who should manage the consumable items on two basic elements, the effectiveness of the support for equipment and systems and the total cost. Both intuition and objective analysis lead to the conclusion that those elements are complex and multidimensional. For those reasons, we recommend against making a blanket decision to transfer management of all consumables to DLA or to retain management of all such items under the Coast Guard supply centers. We believe, however, that all of the items currently managed by the supply centers should be reviewed for possible transfer to DLA and that those items meeting reasonable criteria for DLA management should be transferred. To effect that review and the subsequent transfers in an expeditious and economical fashion, the Coast Guard should implement a more structured and continuous Coast Guard consumable item transfer process. That process includes obtaining agreement with DLA that it will provide the Coast Guard equal treatment with the DoD Military Services as far as consumable item support is concerned and, accordingly, that the Coast Guard will comply with the provisions of DoD Manual 4140.26M, *Defense Integrated Materiel Management Manual for Consumable Items*, as modified by DoD Policy Memorandum of 29 March 1995.

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<sup>1</sup>LMI Report CG403MR2, *Improving U.S. Coast Guard Inventory Management: Establishing a Comprehensive Consumable Item Management Strategy*, George L. Slyman and James H. Reay, April 1996.

As the Coast Guard's overall consumable item management philosophy makes the transition to a customer support orientation from an item-management focus, the incentives that currently emphasize central management of Coast Guard-unique consumables by the supply centers should substantially diminish. As the supply centers evolve to the ELC, management concern shifts from individual consumable items to the full range of consumable items for an equipment or system regardless of source of supply. By attaining total asset visibility for all Coast Guard-used consumable items, the ELC managers will be in a position to support overall supply performance objectives. Additionally, as described in our companion report, the Coast Guard should implement a process to stratify its consumable items on the basis of essentiality, demand activity, and potential for future requirements.<sup>2</sup> For Coast Guard-unique items, that stratification process is particularly important since it provides a significant basis for the assessment decision to retain selected consumable items under ELC management and to transfer other items to DLA management.

Recently within DoD, great emphasis has been placed on the privatization of materiel management and related processes.<sup>3</sup> At the same time, DLA has already set quantitative goals for direct vendor delivery (DVD) of 50 percent of all of its consumable items within the next few years. Clearly, DVD will affect Coast Guard items that are currently supplied by DLA. Further, the Coast Guard is unlikely to escape the congressional pressures to obtain greater materiel support from other government activities and directly from the private sector. We believe that these factors mandate timely and aggressive action by the Coast Guard in addressing the future direction of its responsibility for managing consumable items.

## LEGAL STATUS

Before discussing the various alternatives to the Coast Guard's central stockage of consumable items, we examine the contention that DLA cannot legally assume management of Coast Guard-unique items. Our review of that issue with the DLA staff indicates that its assumption of item responsibility is not seriously affected by whether or not the item is unique. DLA was established in the 1960s to manage multi-Service-use consumables. As the consumable item transfer initiative developed in the early 1980s, the multi-Service item aspect of DLA responsibility was generally eliminated. The current DoD regulatory authority for transfer of consumables, DoD Manual 4140.26M, provides criteria for item management coding.<sup>4</sup> That coding schema defines the characteristics of consumable items that are to be retained for management by the individual Military Services. Items not meeting those criteria are, by default, designated for DLA management. The DoD policy regulation does not provide single-agency-user exclusion criteria except for nuclear items managed by the Defense Nuclear Agency, cryptologic items managed by the National Security Agency, and certain tactical

<sup>2</sup>LMI Report CG403MR2, op. cit.

<sup>3</sup>Chapter 3, *Report of the Commission on Roles and Missions of the Armed Forces, Directions for Defense*, 24 May 1995.

<sup>4</sup>DoD Manual 4140.26M, *Defense Integrated Materiel Management Manual for Consumable Items*, January 1992.

combat vehicle items managed by the Army Tank-Automotive Command (TACOM). Currently, the policy regulation exempts the Coast Guard from applying the item management coding. That exemption, however, is a mutually agreed-to policy exception, not a legal prohibition.

The other aspect related to DLA management of unique Coast Guard consumables deals with the authority of the General Services Administration (GSA). United States Code (U.S.C.), Title 40, Section 481, grants the Administrator of GSA certain authorities in the area of procurement, warehousing, and related activities. In 1971, DoD and GSA entered into an agreement that continues to be the accepted delineation of item management responsibilities between DoD and civil agencies.<sup>5</sup> The intent of the 1971 agreement is to ensure that duplication of item management responsibility is eliminated throughout the federal government and to describe the item management rules regarding GSA, the civil agencies, and DoD. The DoD Integrated Materiel Management Committee, chaired by DLA, maintains continued oversight of this agreement and ensures its currency. Both GSA and the Coast Guard are represented on that committee. In general, the 1971 agreement provides that certain federal supply classes are under GSA management purview while others are under DLA management.

Preliminary discussion of the potential for transfer of Coast Guard-unique items to DLA indicates that GSA has no particular objections to such a transfer.<sup>6</sup> However, an appropriate policy statement on this issue in the next revision of DoD Manual 4140.26M would be helpful.

We believe that amendment of current policy would satisfy the legal requirements for the transfer of Coast Guard-unique consumable items to DLA management. Appropriate coordination on such policy revisions by the applicable offices — for DoD, the Office of the Secretary of Defense, Deputy Undersecretary of Defense (Logistics); for GSA, the Commissioner of the Federal Supply Service — could be effected as part of the normal policy coordination cycle.

## OTHER CONCERNs

During the course of discussions with Coast Guard and DLA personnel on the consumable item transfer process, the following additional concerns were raised that require resolution:

- ◆ Current DLA management and performance reports do not separately identify Coast Guard from other civil agency activities.
- ◆ Coast Guard items are not included in the DLA weapon system management program except incidentally when such items are covered under DoD Military Service weapon system coding.

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<sup>5</sup> Appendix A of DoD Regulation 4140.1R, *DoD Materiel Management Regulation*, January 1993, cites the 1971 agreement as a reference.

<sup>6</sup> LMI staff discussions with DLA consumable item transfer (CIT) personnel, 28 March 1995.

- ◆ DLA has contended in its discussions that the Coast Guard must fund changes to DLA automatic data processing (ADP) systems to support Coast Guard consumables.
- ◆ Overall DLA material supply availability is somewhat less than Coast Guard supply availability for consumable items.
- ◆ Transfer of inventory management responsibility from Coast Guard to DLA might require a corresponding up-front physical relocation of material.

Based on our review of DoD's CIT procedures and on discussions with Coast Guard and DLA personnel, we believe these concerns can readily be resolved. We present further discussion and proposed resolutions in Chapter 3 and the draft memorandum of agreement (MOA) at Appendix A.

## CHAPTER 2

# Assessing Consumable Item Management Assignments

As part of a comprehensive program to reorient and improve the Coast Guard's management of consumable items, the supply centers at Baltimore and Curtis Bay, Maryland, must begin assessing the nearly 11,000 nonaviation consumable items they currently manage. That review should include full and objective consideration of the use of DLA as the principal source of supply whenever possible. Its objective should be to determine the optimal management assignment for the majority of those items and to ensure that certain Coast Guard-unique item requirements are fully considered in the decision process.

We believe the Coast Guard should make the consumable item reviews a priority item in the supply centers' (and the ELC's) business strategy. The cost comparison we did for our initial analysis indicated that the current costs of centrally managing Coast Guard-unique consumable items or buying them from DLA are about the same.<sup>1</sup> Overall statistics indicate that DLA supply effectiveness is nearly equal to that of the Coast Guard supply centers. By full participation in DLA's weapon system management program, the Coast Guard can ensure required support performance from DLA. We also believe the Coast Guard should pursue full implementation — in manager business practices and automated system applications — of the current provisions of the DoD Integrated Materiel Management Program for these consumable items, and particularly the use of the item management coding (IMC) criteria for logistics reassessments and for provisioning of new items.

## ASSESSMENT GUIDELINES

To perform the required item assessment of some 11,000 nonaviation consumable items, we propose the establishment of a Coast Guard–DLA team of inventory managers and technical personnel from the supply centers for a predetermined period. The inclusion of DLA representatives will facilitate the review process. We recommend the team be given the following guidelines:

- ◆ Truly unique Coast Guard items such as flag officer china and flatware, Coast Guard emblems and heraldry items, flags, insignia, etc., should be separately identified and should be the first items considered for transfer to DLA management. Those items should be reviewed in conjunction with DLA to determine whether the Coast Guard-required specifications and tolerances can be satisfied by DLA. If the Coast Guard and DLA can agree that

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<sup>1</sup>LMI Report CG403MR1, op. cit.

DLA can satisfy item specifications, such items should be designated for transfer. If required specifications for specific items cannot be accommodated at costs equivalent to current Coast Guard costs, such items should be retained for Coast Guard management.

- ◆ Remaining items should be separated into three groups: (a) items with four or more demands during the past two years, (b) items with one through three demands during the past two years, and (c) items with zero demands during past two years. Group (c) would also be subdivided into insurance<sup>2</sup> and noninsurance subsets.
- ◆ Items in group (a) should be divided into nonengineering-related and engineering-related items and then be reviewed by item managers and technical personnel for essentiality; the engineering-related items should be coded using the DLA essentiality coding schema.<sup>3</sup>
- ◆ Group (a) items with on-hand assets or on-contract due-in assets equal to or greater than authorized stock levels should be identified for transfer; those items should be reviewed for technical considerations in accordance with Criterion 5, "Design Unstable/Preproduction Test" in DoD Manual 4140.26M.<sup>4</sup> Criterion 5 items should be retained for Coast Guard management.
- ◆ Remaining group (a) items are candidates for transfer to DLA management.

As part of the review process, the joint team should also adopt the management filter decision tool as described in Chapter 4 of our companion report.<sup>5</sup> We recognize that some of the management alternatives embodied in the decision tool, such as contractor logistics support or DVD, have not been fully developed as Coast Guard initiatives. Consideration of those alternatives after the option of transferring item management to DLA inserts the comprehensive management approach in the initial review process. Further, by reorienting the focus of the supply centers' personnel to the broader consumable item management strategy, the longer term cultural changes essential to the overall improvement of consumables management gets underway.

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<sup>2</sup>Insurance items as defined in LMI Report CG403MR2.

<sup>3</sup>Supply Center Baltimore's test of DLA's weapon system support program includes a procedure and coding structure that can be adopted for essentiality coding if it meets Supply Center Curtis Bay's requirements.

<sup>4</sup>DoD Manual 4140.26M provides criteria for Military Service retention of certain consumable items. Criterion 5 includes (a) items determined by technical decision during the provisioning process or during introduction into logistics systems to be highly subject to design change or replacement of the item through modification of the next higher assembly or (b) items requiring engineering source approval by the cognizant engineering/design-control activity. Preproduction testing of the source's products is required. Procurement is restricted to approved sources.

<sup>5</sup>LMI Report CG403MR2, op. cit.

The review guidelines provide the basis for the selection of an initial increment of consumable items for transfer to DLA under the DoD Integrated Materiel Management Program.

Following this initial item selection, the review team should use the same basic guidelines to review Group (b) items and identify candidates for transfer to DLA. Group (a) and Group (b) items not satisfying the initial review should be earmarked for further supply center analysis based on the following:

- ◆ Determination as to why on-hand or due-in assets do not satisfy authorized stock levels and whether procurement action is intended.
- ◆ Identification of the action needed to qualify the item for transfer and determination of when that action is to be completed.

These items should be reconsidered for transfer to DLA as circumstances change or during cyclical reviews.

Group (c) insurance items should be reviewed for validity using the criteria for non-demand-based items and inactive inventory discussed in Chapter 4 of our comprehensive consumable item management strategy report.<sup>6</sup> Group (c) insurance items should then be reviewed for possible transfer to DLA using the guidelines outlined above. Additionally, insurance items should be reviewed for their potential in support alternatives other than central stockage. Those alternatives, such as flexible manufacturing and contractor logistics support, are discussed in Appendix B of the same report. Group (c) noninsurance items should be reviewed for possible asset disposal and removal as active items in the federal catalog. Those items should not be retained merely because they have end-item applications without absolute assurance that a manufacturing source no longer exists. For Group (c) items designated for retention, the Coast Guard should give full consideration to management of these items under the "lights out" concept discussed in the report's section on selective stock positioning.

## CONCURRENT ACTIONS

Concurrent with initiating the item review, the Coast Guard should begin negotiating an MOA for reassigning current and future item management to DLA on the basis of the proposals of this report. We discuss the substantive elements of the MOA, including scheduling of transfers, in the next chapter and provide a draft MOA at Appendix A.

The Coast Guard should reexamine the benefit of keeping the current supply availability target across the total inventory for those consumable items remaining under Coast Guard management as the transition to an equipment/system approach occurs. As we found in our initial report, the Coast Guard's nonaviation supply centers invest considerable resources (\$32 million in

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<sup>6</sup>LMI Report CG403MR2, op. cit.

inventory to support \$13.8 million in annual sales with \$12 million in annual purchases) to achieve its high level of supply availability.<sup>7</sup> We believe that savings can be attained in inventory investment by use of alternative supply sources such as DLA and direct support from commercial vendors. At the same time — through their implementation of the equipment/system item-oriented management concepts and by adopting more direct support performance measures such as supply response time, equipment/system operational availability, and unit-level supply availability — the Coast Guard can achieve better and less costly support of the more essential items while minimizing further investment in “dead” stock and nonessential items.

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<sup>7</sup>LMI Report CG403MR1, op. cit.

## CHAPTER 3

# The Consumable Item Transfer Process

## POLICY AND ORGANIZATION

DoD Manual 4140.26M and its supporting manuals prescribe detailed procedures for the transfer of consumable items to DLA. That process involves preparation of specific IMC transactions and forwarding them through the Defense Logistics Services Center for proper editing and processing into the Federal Logistics Information System. DoD Manual 4140.26M details these transaction formats and procedures.

Currently, DLA systems do not accommodate IMC transactions from civil agencies. However, in the near term, Navy codes could be used for logistics transfer actions — a technique suggested by DLA managers — to transfer the logistics to DLA management, with the Coast Guard as a registered item user. Once the transfer is complete, Navy user registration could be removed as appropriate. This interim approach could be used to minimize the need for automated systems reprogramming. Follow-on negotiations between Coast Guard and DLA could determine whether a future requirement exists for permitting IMC transactions from civil agencies, including not only Coast Guard but also the Federal Aviation Administration and the National Weather Service. Also, to ensure the capability to track supply support for its items effectively, the Coast Guard should additionally work with DLA to provide for separate identification of its items in performance measurement reporting.

We believe the overall MOA between the Coast Guard and DLA on consumable transfers should stipulate the use of interim procedures to permit the earliest possible transfer of selected items. We also believe that DLA should furnish the assistance the Coast Guard needs to ensure a smooth and effective transfer. The Coast Guard should separately negotiate the need for more permanent systems changes with DLA, particularly in the area of performance measurement and reporting. In the interim, we do not believe that such longer term changes should inhibit management decisions to transfer items to DLA.

Following the initial review and establishment of the ELC, a Service Item Control Center (SICC) should be designated to perform the duties of Service coordinator of a continuing CIT program office. The responsibilities of that office are as described in DoD Manual 4140.26M. We also believe that a DLA proposal that the Coast Guard establish a military liaison position at DLA Headquarters has merit. The military liaison position should be assigned initially to the DLA Consumable Item Transfer Management Office; after the initial transfers and stabilization of the transfer process, it should be permanently assigned to the DLA Weapon System Readiness Support Office.

## PERFORMANCE OBJECTIVES

The Coast Guard currently maintains a significantly high level of supply availability for the total range of consumable items centrally managed and stocked by the supply centers. Supply availability is defined as the percentage of time an item of supply is immediately available "off-the-shelf" at a warehouse supporting the item manager receiving the requisition. Coast Guard supply centers generally maintain an across-the-board average supply availability well above 90 percent for centrally managed consumables.

In recent years, use of supply availability performance objectives has been criticized because it does not directly measure support performance at the customer/equipment level and maintaining a high supply availability rate across all items is relatively costly. In its overall plans to improve inventory management, the Coast Guard has indicated its intent to implement more standard models and algorithms to improve inventory management and requirements determination.

The traditional focus on supply availability factors as measures of performance is ingrained in the culture of the Coast Guard. Despite the influence of recent trends in performance objective concepts occurring within industry and federal agencies, the Coast Guard's concern for supply availability rates tends to impede selection of alternative approaches to central material stockage at supply centers. By definition, using supply availability as the principal supply indicator, performance is measured at the central warehouse rather than at the customer or equipment level—a more desirable and significant point of measurement. To facilitate the selection of alternative supply support approaches for its consumable items, the Coast Guard must ultimately make the transition to response time measures and end-item availability as its primary materiel management performance objectives.

In the interim, for consumable items being considered for transfer to DLA, we believe support performance equal to or better than the current level of supply availability should be expected of DLA. For purposes of item performance measurement, "equal or better" supply support is defined as off-the-shelf support in quantities equal to those identified in the historical/estimated demand data provided in the logistics reassignment data formats. For all of the 4 million items managed by DLA, average supply availability is about 85.6 percent across-the-board. DLA supply availability for support of more than 100,000 Coast Guard items used jointly with a Military Service is about 87 percent. That performance is somewhat less than comparable performance across the 11,000 non-aviation consumable items managed at the Coast Guard supply centers. Current DoD integrated materiel management policy dictates that DLA will provide the same level of support provided by the Service supply activities for a period of two years. After the two-year period, the supply support level will be based on DLA standard stockage criteria.

DLA's standard stockage criteria is more restrictive than current Coast Guard policy requires and, on the surface, seems to indicate a lower performance

level. However, through participation in DLA's weapon system management program and by identifying those items requiring higher supply availability, we believe the Coast Guard can obtain the required performance level for its essential items. At the same time, investment costs in inventory for low-demand and less-essential items can be reduced with no significant effect on readiness. In some cases, that means that, in accordance with their procedures, DLA may re-categorize demand-based items as insurance items on the basis of the demand history provided by the losing activity.

We believe the Coast Guard should develop an initiative to assign appropriate weapon/essentiality coding to items before it selects those items for transfer to DLA. As stated in the item assessment guidelines, the team reviewing Coast Guard items for potential transfer to DLA should assign item essentiality codes, particularly for the more critical items requiring higher levels of materiel support. That coding will help ensure that DLA maintains its focus on more critical Coast Guard requirements during and after the transfer period and will help protect against any degradation of support.

## BASIC TRANSFER REQUIREMENTS

Current integrated materiel management policy requires both "adequate management control of items in a transitional situation," and "uninterrupted supply support of items during the transitional period."<sup>1</sup> To ensure the maintenance of required levels of support both initially upon transfer and for the long term, joint actions by the Coast Guard and DLA are required for items selected for transfer. Those actions are prescribed under the current DoD Integrated Materiel Management Program; however, heightened management attention must be applied to ensure full compliance with necessary procedures. In summary, those support requirements are:

- ◆ *Transfer of a "full pipeline."* The pipeline requirement is satisfied by the transfer of a sufficient quantity of assets (on hand plus on order) to satisfy current backorders and to meet forecasted demands for a period equal to the procurement lead-time period plus the safety-level quantity.
- ◆ *Supply support requests (SSRs).* The joint team should submit appropriate SSRs transactions documenting future Coast Guard requirements for each item selected for transfer. Item transfers should be scheduled considering the capability of the supply centers to develop and transmit the required SSR transactions.
- ◆ *Special requirements.* The joint team should identify any special management techniques or processing requirements over and above normal procedures.
- ◆ *Disposal moratorium.* DLA should place a two-year disposal freeze on all consumable items transferred from the Coast Guard under this initiative.

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<sup>1</sup>DoD Manual 4140.26M, op. cit., p. 6-1.

## Item Transfer Data Requirements

As the Coast Guard identifies certain consumable items for transfer to DLA management responsibility, it will be necessary to provide the mechanism to submit item identification and management information to the DLA gaining inventory manager (GIM) site. The DoD Integrated Materiel Management Program specified standard data formats for transmission of the required information. DoD Manual 4140.26M provides the detailed formats for those transactions. Procedures for logistics transfers are documented in Chapter 6 of the manual. Currently, the Coast Guard is exempt from these procedures. However, the data formats specified in Chapter 6 and the portions of the procedural guidance that represents a "common sense" approach to logistics transfers must be used to transfer any significant number of consumable items from the Coast Guard to DLA. As part of initiating the item transfer program, the Coast Guard should review and adopt applicable procedures from Chapter 6. To the extent that certain elements of the standard procedures are not appropriate for the Coast Guard, these details should be documented as exceptions in the initial Coast Guard/DLA MOA covering the transfer initiative. Possible areas requiring such exemptions are included in the draft MOA.

The logistics reassignment procedures prescribe two sets of basic data transfer formats. They are included in Appendix G, "Supply Management, Technical and Quality Data, of DoD Manual 4140.26M," and Appendix H, "Contract History and Status Data."

Because of the relatively small number of Coast Guard items that are to be transferred, we do not believe the Coast Guard should expend the resources that would be required to reprogram primary supply center software applications to automate the required formats for designated transfer items. Like the Coast Guard, the Marine Corps managed a relatively small number of consumable items and was reluctant to expend significant resources to automate the transfer transaction process. As an alternative, the Marine Corps Logistics Base (MCLB) at Albany, Ga., used currently available data query routines to extract required data elements from the primary data records and then used off-line database management programs to structure and output the collected data in required formats. We believe a similar approach, perhaps using off-line personal computer capability for data manipulation and formatting, is appropriate for the Coast Guard. Staff personnel at MCLB have indicated their willingness to share their experience and the technical details of their methodology.

The Coast Guard should minimize changes to its primary logistics automated systems to accommodate consumable item data transfer requirements. We believe that to facilitate the capability to produce the required outputs, the Coast Guard can adopt the approach used by the Marine Corps in its consumable item transfer program. By extracting basic data from the primary systems and using off-line data manipulation routines readily available through personal computer technology, it can produce the required output formats and transmit them in a timely manner at minimal cost.

## Other Transfer Considerations

Initial review of the logistics reassignment procedures indicates that most provisions are applicable to the Coast Guard. However, certain areas may require the following additional considerations as the Coast Guard's consumable transfer program develops:

- ◆ *Nonreimbursement for transferred stocks.* Item management reassessments normally transfer assets on a nonreimbursable basis. The Coast Guard should pursue either monetary adjustment to help defray costs and supply fund losses or management by ownership code to prevent unnecessary spending of unit operating funds. We discuss alternatives for reimbursement as a management issue in Chapter 2 of the companion report and ownership code management subsequently in this chapter in the section on funding consumable item transfers.<sup>2</sup>
- ◆ *Relocation of transferred stocks.* To help keep transfer costs as low as possible, DLA should issue material release orders for stocks in place at Coast Guard storage sites. Stocks of transferred items should be moved from Coast Guard locations to DLA warehouses only if operational circumstances warrant doing so or if existing procedures do not accommodate DLA release order processing.
- ◆ *Administration of incomplete contracts.* Partially filled contracts need to be carefully managed, and responsibility for administration must be clearly assigned to prevent misshipments, material losses, and payment delays. The Coast Guard should choose to transfer contract administration and issue the necessary contract modifications to coincide with the effective date of item transfer.
- ◆ *Credit for obligated contracts.* Contracts for which material delivery has not begun should be modified and transferred to DLA. If the Coast Guard holds the financial obligation and remains as the billing office, DLA should provide credit reimbursement for material delivered to DLA storage sites from Coast Guard contracts obligated prior to the effective date of the transfer.

We discuss stock relocations and contracts in more detail later in this chapter.

## Technical Engineering Interface

Under current DoD policies, the Military Services retain technical engineering support and configuration management for consumable items managed by DLA. Those policies permit the continuation of an integrated approach to technical and engineering support by centering technical expertise with the activities responsible for repairing next higher assemblies and end items. That approach

<sup>2</sup> LMI Report CG403MR2, op. cit.

should be continued for Coast Guard consumable items selected for transfer to DLA. DLA policy provides the mechanism for the technical interface between the responsible engineering activity and the integrated materiel manager.<sup>3</sup> Establishing the relationship and complying with the provisions of the DLA policy insures the Coast Guard's technical oversight of the consumable items transferred to DLA. The details of the DLA procedures are presented in DLA Instruction 32300.1. Those procedures require the following:

- ◆ Establishment of an engineering support focal point in the Military Service. Within the Coast Guard, that office would coordinate and track requests for engineering support from DLA supply centers.
- ◆ Designation of engineering support activities (ESAs) for transferred items. ESAs are the specific engineering activities responsible for engineering support and technical decisions for transferred items.

Engineering support requirements may include the following:

- ◆ Approving or updating technical data
- ◆ Assigning or reviewing critical application/essentiality coding
- ◆ Participating in the initial assignment, review, and approval of changes to the acquisition method coding and the acquisition method suffix coding
- ◆ Defining quality assurance requirements, including first-article test requirements
- ◆ Providing technical decisions on alternative item offers
- ◆ Evaluating value engineering proposals
- ◆ Providing engineering decisions on requests for waivers, deviations, and engineering change proposals
- ◆ Providing technical information on next-higher assemblies and end items
- ◆ Providing technical shelf life information and technical assistance
- ◆ Approving reverse engineering and technical data packages
- ◆ Obtaining or assuring adequate provisioning and procurement technical data
- ◆ Providing decisions on interchangeability and substitutability

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<sup>3</sup>DLA Instruction 3200.1, *Engineering Support Procedures for Items Supplied by the Defense Logistics Agency and the General Services Administration*, 31 October 1994.

- ◆ Providing hazardous material handling instructions or identifying substitutes.

To assist in the management of technical support resources, DLA supply centers will provide annual cost estimates of engineering support requirements. The Coast Guard is responsible for identifying and maintaining the currency of appropriate ESAs in the Federal Logistics Information System records.

## Technical Data Requirements

While the Coast Guard should provide the technical and engineering support for consumable items selected for transfer to DLA, the actual transfer of items will require specific agreement between Coast Guard and DLA regarding the types of data required for transfer and the transfer media (electronic data, drawings, hard copy, etc.). For purposes of logistics reassessments, technical data are defined as, "recorded information (regardless of the form or method of the recording) of a scientific or technical nature (including computer software documentation) relating to supplies procured by an agency." Technical data are made up of repository data and management data as follows:<sup>4</sup>

- ◆ Repository data are data normally found in a drawing repository and usually consist of engineering drawings.
- ◆ Management data are usually found in item management, procurement, or technical manager file folders and include procurement, legal, supply, or technical information pertaining to supplies and material purchased by the government. Management data may also be recorded on hard copy, electronic files, CD-ROM, magnetic tape, microfiche, or other media.

Appendix D provides a listing of examples of management data that may be transferred to the gaining inventory manager.

We believe the Coast Guard should pursue the transition from hard copy technical data files to electronic, digital data repositories for technical data required in support of logistics and related business applications. However, for purposes of the near-term transfer of selected consumables to DLA, the Coast Guard MOA with DLA should provide for transferring technical data in the media currently used by the Coast Guard and should specify that the losing item management activity will work with DLA supply centers on a case-by-case basis to provide technical data required for future procurement actions. As part of the transfer MOA, a detailed checklist, tailored to Coast Guard technical data, should be developed. Appendix D is useful as the basis for such a checklist. Current DLA procedures establish a standard format for follow-up requests for clarification or additional technical data. The Coast Guard should adopt those procedures for transferring item data. If required, a separate MOA can be

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<sup>4</sup>The definition of technical data was extracted from the MOA between DLA and the Military Services covering the transfer of procurement, quality, and technical data during the DoD Consumable Item Transfer Phase Two Initiative.

developed if the inclusion of specific technical data requirements in the basic MOA makes it cumbersome or conveys a level of detail beyond that of other parts of the agreement.

## Procurement and Contracts

For items designated for transfer to DLA, information on current and historical item procurement activity should be provided to the gaining DLA supply center. As indicated earlier, DoD Manual 4140.26M provides specific data formats documenting procurement contract history and other procurement-related item data such as acquisition method code, contract price, and contractor information. As in the case of transfer requirements for item supply data, the Coast Guard should not reprogram its software applications to automate the transfer of procurement data. The processes described earlier for supply transfer data appear equally appropriate for procurement data formats covering items selected for transfer.

To facilitate the transition of consumable items from the Coast Guard supply center to DLA management, every effort should be made to continue use of existing Coast Guard contracts. That continuation is particularly important in cases in which long-term, indefinite-delivery, indefinite-quantity contracts are in place. For items selected for transfer, each active procurement contract should be reviewed for possible transition to DLA control or continued use by DLA for future procurement actions.

Contracts with outstanding quantities to-be-delivered will require special coordination to ensure proper administration and closure. Each contract that has not been completed should be reviewed and a decision made to delay transfer pending full receipt of open quantities or to permit the transfer and modify the contract to a different "ship to" destination effective the date of transfer. In our companion report,<sup>5</sup> we discuss transferring contract administration to DLA's Defense Contract Management Command (DCMC) as a possible personnel saving opportunity. In the case of contracts that have not been completed, assigning contract administration and closure to the DCMC should be considered as an alternative if neither the Coast Guard nor the DLA supply center chooses to continue administering the contract. Exercising this option requires separate negotiation and a formal agreement. The Coast Guard could approach this use of DCMC as a "prototype" of a process change that leaves contract solicitation, negotiation, and award under Coast Guard control and places contract administration and closure with DCMC. The Coast Guard should take the lead in any discussion with DCMC to ensure its interests — financial and unit support — are accommodated.

Upon determination that an item is to be transferred to DLA, action should be taken to review any outstanding contract deliveries other than DVD. Material projected to be received after the effective transfer date should be diverted, if possible, to a gaining item manager storage site. Coast Guard purchase requests

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<sup>5</sup> LMI Report CG403MR2, op. cit.

should require shipment to such a site if the projected procurement lead times would result in deliveries after the planned effective transfer date. When transferring items, supply centers should coordinate closely with the gaining item managers to expedite purchase actions, contracting, or deliveries when items are in critical short supply.

To determine the need for continuation of procurement actions, DLA procedures require the identification of pending purchase request actions for transferring items. Appendix I of DoD Manual 4140.26M, provides a format for passing this purchase request information. DLA has previously identified a list of procurement information sources and documentation that should be made available to DLA procurement activities for items selected for transfer.<sup>6</sup> The list of procurement requirements data sources is at Appendix B. Available procurement information should be provided in electronic media or hard copy, whichever is available, based on transfer schedules included in the overall transfer MOA.

## Funding Consumable Item Transfers

Effecting the transfer of consumable item management to DLA may involve the requirement for certain funding. However, one-time initial transfer funding can be minimized by making best use of existing capabilities and limiting changes in procedures and systems to essential actions. Current DoD policies on funding procedures relative to logistics reassessments are contained in Chapter 8 of DoD Manual 4140.26M.

Since the Coast Guard currently receives substantial material and services support from DLA, operating customers are already fully familiar with procedures for ordering material and services from DLA. Items transferred from Coast Guard supply center management to DLA responsibility will be subject to DLA's material cost recovery factor (surcharge).

To minimize the impact of the new surcharge, the effective date of transfer should be set at the beginning of the fiscal year for larger blocks of items (25 or more). That approach permits adjusting the supply fund budget and customer operating budgets to accommodate changing funding requirements. We believe that upon transfer of significant numbers of items to DLA, the budget process should accommodate funding of the marginal increases to overall customer operating budgets. Specific options and our recommendations for funding of the consumables transfer are documented in Chapter 2 of our companion report.<sup>7</sup>

Normally, assets subject to logistics reassignment are transferred on a non-reimbursable basis. Since most consumables are purchased using supply fund obligation authority rather than direct appropriations, the actual expense to the government occurs at the point of sale to the operating customer. However, any consumable items that were purchased directly with appropriated funds and

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<sup>6</sup>The DLA Consumable Item Transfer Office provided the list of procurement information sources at a joint DLA/Coast Guard meeting on 21 June 1994.

<sup>7</sup>LMI Report CG403MR2, op. cit.

being carried in the supply centers' accounts as "free issue" should not be transferred to DLA without reimbursement. In the event that DLA neither reimburses the Coast Guard nor establishes a Coast Guard-ownership account from which to issue those items, the supply centers should place the items in a retail-level account and issue to zero balance before the effective date of transfer to DLA. That procedure eliminates the unreimbursed loss of resources or the possibility of "double payment."

The losing inventory manager is normally responsible for payment of bills for material being delivered on contracts even if delivery is to a gaining inventory manager site. For due-in, on-contract assets for items being transferred before actual delivery, the Coast Guard/DLA MOA should contain provisions for funding credit equal to the amount of undelivered material ordered against Coast Guard contracts prior to the effective item transfer date.

For items with quantities in other than a serviceable condition, e.g., unit or intermediate-level reparables returned to the supply center, the losing item manager is normally responsible for funding restoration of the material to a serviceable condition prior to item transfer. The Coast Guard should ensure that only the minimum assets required to transfer a full pipeline are subjected to restoration action. All other unserviceable assets should be reviewed for disposal. However, in exception cases, the losing item manager may provide written justification for upgrading or repairing transferred assets above "pipeline" requirements. DLA payment for restoration of such items should be negotiated on a case-by-case basis prior to transfer. The losing item manager is also responsible for certain costs such as a one-time purchase of required technical data if those data are not available for transfer and for incidental costs of any litigation or obtaining settlement for quality deficiencies from contractors. Furthermore, the losing inventory manager is responsible for funding credit for material returns from customers authorized prior to the transfer date regardless of the approved destination for the returns.

## Requirements for Automated Information System Changes

Funding of required changes to Coast Guard automated information systems to effect logistics transfers is generally the responsibility of the Coast Guard, and our proposal for dealing with those requirements is presented earlier in this report. Current DLA practice is to require non-DoD activities to fund the cost of DLA automated information systems changes required as part of the transfer process or to support future information needs unique to the supported agency. While this practice is subject to case-by-case negotiation, we do not believe the Coast Guard should automatically accept the current DLA practice. For its DoD Military Service customers, DLA funds automated information system changes through charges already included in the cost recovery factor. The Coast Guard currently pays those costs for items purchased from DLA. We believe the Coast Guard position should be that unique changes to DLA's automated information systems required to support the Coast Guard should be negotiated in terms of priority and timing on a case-by-case basis and that funding for such

changes should come from the DLA cost recovery factor (surcharge). The Coast Guard would, however, be obligated to assist DLA in developing justification packages for such changes.

## WEAPON SYSTEM SUPPORT PROGRAM

We believe the Coast Guard should continue to work with DLA to become a coequal partner with the DoD Military Services in the weapon system support program. As indicated earlier, this transfer may require some changes to DLA's automated systems to permit separate identification of Coast Guard performance data. Currently, the Coast Guard is included in an "other" category for purposes of performance data tracking and reporting under the DoD Military Standard Evaluation Procedures (MILSTEP) program. Because of the high proportion of Coast Guard support already provided by DLA and the potential for transferring additional items, the necessary systems changes should be made to permit separate tracking of DLA's support to the Coast Guard. Early discussions between the Coast Guard and DLA personnel indicate that DLA believes such changes should be paid for by the Coast Guard.<sup>8</sup> However, those automated systems changes, like those associated with item transfer actions, are normally financed through the cost recovery rate charged as part of every requisition filled by DLA. As stated above, Coast Guard customers already pay this charge and are entitled to the benefits of modernized automated systems equal to DLA's DoD customers. Furthermore, separate identification of weapon system customers and MILSTEP performance data by Service is not a unique Coast Guard requirement, but merely the same level of support already afforded to other Services. The Coast Guard should pursue obtaining management information and performance tracking support from DLA on an equal basis with DoD customers. Such a requirement should be independent of the consumable item transfer issue, however, such capabilities would be highly desirable as Coast Guard unique consumables migrate to DLA and the Coast Guard moves to attain "world class" logistics management status for its equipment and systems.

## RELOCATING TRANSFERRED ITEMS

Based on FY94 data, the inventory of consumable items maintained in storage facilities by the supply centers at Curtis Bay and Baltimore is valued at \$32 million with annual sales of \$13.8 million. These data indicate that even if a significant number of consumable items were to be selected for transfer to DLA, at best it would take several years for DLA to issue the residual inventory held at Coast Guard sites. However, we believe that a mass move of material to DoD storage sites is probably not cost-effective. DoD policies regarding physical

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<sup>8</sup>DLA (MMSP-CIMO), Memorandum of Meeting, "DLA Management of Coast Guard Consumables," 24 June 1994.

movement of material generally support this contention.<sup>9</sup> It is likely that if transfers of significant numbers of consumables to DLA occurs, it will be over an extended period of time. Mass movement of inventories would only be economically justified if a significant and contiguous (i.e., a complete warehouse) portion of a storage facility could be freed for other use or vacated. The circumstances associated with the pending transfer do not appear to indicate such a situation.

Based on agreements with the GSA, current DLA policy requires that for transfers from civil agencies, item stocks are transferred immediately to DoD storage sites. This policy is based on certain unique GSA circumstances. We do not believe that such an approach is appropriate for the Coast Guard. In fact, the DLA policy applicable to DoD Military Services, concerning physical transfer of inventory as part of a consumable item transfer, is fully consistent with overall DoD policy. Normally, item stocks remain at the storage site of the losing inventory manager and are reduced through normal customer demand.<sup>10</sup> We believe that the MOA negotiated with DLA should contain the provision that Coast Guard item stocks be handled consistent with DLA policy for the DoD Military Services. This includes the stipulation that if the gaining DLA inventory manager directs shipment of material from a Coast Guard site as part of the transfer, the gaining manager funds related transportation costs. This approach would, however, require the Coast Guard to process material redistribution orders and referrals in accordance with Military Standard Requisitioning and Issue Procedures (MILSTRIP). If the Coast Guard found it necessary to physically move material either to other Coast Guard sites or to DoD storage activities to comply with MILSTRIP, this cost would accrue to the Coast Guard.

## MANAGING NEW ITEMS

During the next decade, substantial numbers of new ships, boats, and other equipment and systems will enter the Coast Guard inventory. Along with the introduction of these items, considerable numbers of consumable repair parts will be identified. Many, if not most, of these new parts will be used in common with the Navy, while others will be readily available from commercial sources. We believe the Coast Guard must make certain cultural and process changes from the current approaches to material management if the objective of providing "world class" support at the "best value" cost is to be achieved. It is particularly important that, as the new ELC evolves in its roles and responsibilities, the

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<sup>9</sup>DoD Regulation 4140.1R, *DoD Materiel Management Regulation*, January 1993, p. 4-20. Note: DoD policy accepts mass material movement only as a final course and only if economically justified.

<sup>10</sup>DoD Manual 4140.26M, op. cit., p. 6-2.

focus of materiel management should change from the current view of "obtaining, managing, and delivering unique items"<sup>11</sup> primarily through central management and stockage. The change should be to an approach that more effectively uses supply sources other than the Coast Guard's central supply structure based on the premise that such sources can normally deliver the required support in a more cost-effective manner.

By ensuring that the item management filter criteria described earlier in this report is applied as an integral part of the provisioning process, the Coast Guard can minimize the number of new items selected for central management at the Coast Guard supply centers. This criteria requires full consideration of DLA and commercial sources for supply support prior to selection of an item for central stockage by the Coast Guard. The Coast Guard provisioning policy should specifically require application of the proposed item management filter criteria and the development of the capability to process supply support requests for new items as a way of emphasizing that central management and stockage by the Coast Guard is the least desirable alternative for providing material support.

## SCHEDULING ITEMS FOR TRANSFER

The decision to transfer any Coast Guard-unique consumable items to DLA represents an important management decision. It is important that the Coast Guard define the scope of required actions, develop a plan for accomplishing the required actions, and lay out a time-phased schedule for transferring items. The earlier this is done, the more likely that the process will get underway and continue to progress efficiently and economically.

Current integrated materiel management procedures divide the logistics re-assignment process into three time periods based on the effective transfer date (ETD). These periods are identified as pre-ETD, ETD, and post-ETD, and are known collectively as the transition period.<sup>12</sup> Table 3-1 summarizes some of the key actions required by the losing inventory manager before, during, and after item transfer. The specific actions required for each time frame are described in detail in DoD Manual 4140.26M.

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<sup>11</sup> U.S. Coast Guard Commandant Instruction (COMDTINST) M4121.4, *Coast Guard Uniform Supply Operations Manual*, Draft, undated, p. 10-1.

<sup>12</sup> DoD Manual 4140.26M, op. cit., p. 6-1.

**Table 3-1.**  
***Key Transfer Actions***

| Date                   | Action   | Notes   |
|------------------------|--|---|
| <b>Pre-ETD</b>         |  |   |
| 150 days prior         | Identify items requiring special management (packaging, safety, storage, hazardous, etc.)  | Accomplish prior to establishing ETD                |
| 150 days prior         | Negotiate ETD  |   |
| 150 days prior         | Submit logistics reassignment transactions to DLSC   | May require special procedures using Navy codes     |
| 150 days prior         | Provide initial item stratification data formats; update every six months until transfer is complete   | Format as in Appendix C                             |
| 150 days prior         | Provide any required funding   |   |
| 150 days prior         | Initiate physical inventory for classified or sensitive items  |   |
| 120 days prior         | Provide supply and procurement data records using formats G and H  | Format data prepared as described earlier in report |
| 90 days prior          | Provide bidders lists and other hard-copy procurement data   |   |
| 90 days prior          | Provide justifications for noncompetitive procurements   |   |
| 60 days prior          | Discontinue intra-Service redistribution of wholesale stocks   |   |
| 45 days prior          | Provide available technical data; identify technical data that is not available; provide listings of unawarded purchase requests; transfer requirements contracts to gaining IM; change destination of undelivered items where possible; update due-in records |   |
| 30 days prior          | Provide updated formats G and H records; discontinue stock replenishment actions   | Coordinate with gaining IM to ensure full pipeline  |
| <b>ETD Period</b>      |  |   |
|                        | Provide item folders and other workfiles to gaining IM   |   |
|                        | Transfer funded requisitions using passing orders  |   |
|                        | Cancel or amend procurement actions and purchase requests  | Work with gaining IM                                |
|                        | Physically transfer wholesale assets   | Update applicable records                           |
|                        | Update due-in asset information  |   |
|                        | Dispose of assets above retention levels   | Coordinate with gaining IM                          |
| <b>Post-ETD Period</b> |  |   |
|                        | Work with gaining IM to validate requirements and adjust procurements  |   |
|                        | Ensure assignment of weapon system essentiality codes  |   |
|                        | Expedite contract deliveries on losing IM contracts  |   |
|                        | Process quality deficiency actions   | Coordinate with gaining IM                          |
|                        | Ensure proper coding of records in FLIS database   | Coordinate with gaining IM                          |

**Note:** DLSC = Defense Logistics Services Center; IM = Inventory Manager; FLIS = Federal Logistics Information System.

As we have discussed earlier, an MOA between the Coast Guard and DLA is essential. DoD is currently executing the last major phase of their program to transfer most Military Service-used consumables to DLA. This effort will not be completed until the end of fiscal year 1997 and necessarily is the primary focus of DoD's attention regarding consumable item transfers. Furthermore, the development of a specific schedule for transfer of Coast Guard items to DLA may also be impacted by DLA's internal management realignments in response to the 1995 base realignment and closure decisions. However, DLA has recognized the potential for a concurrent transfer initiative from the Coast Guard.<sup>13</sup> Based on discussions with DLA personnel, we believe that an initial transfer of a significant number of consumable items could occur no earlier than 10 months after the date of agreement between the Coast Guard and DLA.<sup>14</sup> However, specific transfer schedules should be negotiated separately subsequent to the conclusion of the MOA. By developing a plan for accomplishing the actions listed in Table 3-1 and laying out a schedule for completing them, the Coast Guard can negotiate a transfer schedule that reflects the ELC's capabilities and resource levels and is more, rather than less, likely to be met.

## SUMMARY

DoD's experience in implementing the transfer of literally millions of consumables from the Military Services to DLA reinforces the need for a comprehensive and well understood plan of action. Although the possible Coast Guard transfer represents a relatively small group of items, the details of the process are similar to larger efforts.

In summary, the Coast Guard should accomplish an initial assessment of consumable items using the proposed guidelines. Concurrent with that assessment, the transfer MOA should be negotiated with DLA. Action should start on developing the capability to produce and transmit data records required for the transfer process. As the item assessment progresses, logical increments of item transfer packages should be identified based on items selected for transfer, data availability, asset levels (full pipelines), and the timing of implementation of data transfer capability.

Preliminary discussions with DLA indicate that the scheduling of actual transfers can be very flexible. The Coast Guard should schedule the transfer of logical item groups based and, to demonstrate a commitment to the process, establish a target date within one fiscal year of the date of the agreement with DLA to complete the transfer of the initial group of selected items.

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<sup>13</sup> DLA Memorandum to the Assistant Deputy Under Secretary of Defense (Materiel Distribution Management), "Implementation Plan for Phase 2 of the Consumable Item Transfer (CIT) Program," 14 November 1994.

<sup>14</sup> Estimate is based on discussions with DLA CIT office personnel on 28 March 1995. The DLA Phase 2 Implementation Plan defines significant numbers as 25 or more items.

## CHAPTER 4

# Conclusions and Recommendations

In our report on establishing a comprehensive strategy for managing consumable items, we recommend the Coast Guard examine a wide range of options in determining the optimum approaches to achieving the most effective and least costly management of its consumable item inventory.<sup>1</sup> To implement the recommendation, we provide a stockage decision tree that has "transfer to DLA management" as the first option, followed by several Coast Guard-managed, contractor-supported options, and with Coast Guard central stockage as the last choice. Besides setting the sequence for determining item management, the decision tree does the following:

- ◆ Replaces the traditional approach that essentially forces a choice between central stockage and unit-level local purchase
- ◆ Creates the need for more integrated and mutually beneficial joint planning by supply managers and contracting officers
- ◆ Perpetuates the culture change to make material support decisions that are based on equipment or system essentiality and operational availability, and item availability at the unit rather than at the central warehouse.

In this report we address implementing the transfer to DLA management decision and other actions ancillary to the decision.

We conclude that this option serves the Coast Guard's intent to reduce inventory investment, gain parity with the DoD Military Services in DLA's support performance, enhance customer support and responsiveness to customer requirements, and make the new ELC the centerpiece of a fully integrated logistics support strategy. We also conclude that developing the process for identifying and transferring consumable items to DLA management is an important part of the work to be done for the ELC to achieve its objectives.

The initial step in that work is assessing the nearly 11,000 nonaviation consumable items currently managed by the Coast Guard supply centers. We recommend initiating the work by appointing a joint Coast Guard-DLA review team whose purpose is to select the items for transfer. The team should use the guidelines we describe to perform the review from the perspective of giving priority to equipment or system essentiality and operational availability and with the intent to use the work to aid in realigning to the objectives and goals set out for the ELC.

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<sup>1</sup>LMI Report CG403MR2, op. cit.

We recommend the review team's experience evolve to a permanent ELC process that continues to review stocked consumable items and participates in the review of new items being considered during provisioning for equipment and systems being introduced to afloat and ashore units. The experience is valuable in developing a schedule for the actual transfer plan prepared as laid out in Table 3-1.

We also recommend the Coast Guard initiate negotiations with DLA to complete an MOA for item logistics reassessments. In preparation for beginning the item transfers, the supply centers should implement the current provisions of the DoD Integrated Materiel Management Program for their consumable items, particularly the use of the item management coding criteria. Integrating the provisions into the existing work stream will ensure they survive the transition to the ELC organization and become part of the ELC's operating system.

In our report, we discuss certain elements of the standard procedures that we believe the Coast Guard should document as criteria in the initial MOA covering the transfer initiative. We recommend the agreement do the following:

- ◆ Stipulate (a) the use of interim procedures to permit the earliest possible transfers of selected items and (b) DLA's furnishing the required assistance to the Coast Guard to ensure a smooth and effective transfer process. The need for more permanent system changes should be negotiated separately and introduced as the process matures.
- ◆ Recognize the establishment of an SICC office in the ELC to execute the responsibilities described in the integrated materiel management manual and perform the duties of Service coordinator of a continuing consumable item transfer program.<sup>2</sup>
- ◆ Incorporate the DLA proposal that the Coast Guard assign a military liaison position to DLA Headquarters in the Consumable Item Transfer Management Office. When the transfer program stabilizes, the Coast Guard should consider moving the position to DLA's Weapon Systems Readiness Support Office to continue coordinating the Service's participation.
- ◆ Prescribe continued use of existing Coast Guard contracts to facilitate the transition to DLA management and permit the contracts to be merged into the normal review and renew cycle.
- ◆ Contain provisions for funding credit equal to the amount of due-in, on-contract assets to be delivered after the effective item transfer date.
- ◆ Prescribe funding support for DLA's ADP system changes through charges already included in the cost-recovery factor. Coast Guard units currently pay those costs for items purchased from DLA, just as DoD customers pay. The Coast Guard should assist DLA's Consumable Item Transfer Office and Weapon Systems Readiness Support Office in documenting the need for

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<sup>2</sup>DoD Manual 4140.26M, op. cit.

changes to DLA's ADP systems and should participate in negotiating or defending time requirements or priorities for making the changes.

- ◆ Acknowledge the Coast Guard's participation, coequally with the DoD Military Services, in the weapon system management program. Interim coding procedures should be used to get the transfer program underway and permit the Coast Guard to develop and implement a uniform procedure for assigning appropriate equipment or system essentiality coding prior to items being transferred to DLA. Full participation in the program helps ensure DLA's focus on more critical Coast Guard requirements during and after the transfer period.
- ◆ Permit items transferred to DLA to remain in Coast Guard storage locations and require processing of distribution orders and referrals in accordance with MILSTRIP procedures. If a Coast Guard storage location cannot receive and process documents using MILSTRIP procedures, and for that reason, the material must be moved to another Coast Guard site or DoD storage activity, the transportation cost should accrue to the Coast Guard.

While the MOA is being processed, the Coast Guard should develop logical item groupings of at least 25 items and lay out a transfer schedule. We recommend a target date within one fiscal year from the date of the agreement with DLA to complete the transfer of the first group of items selected. To make that time frame achievable, we also recommend the Coast Guard minimize changes to its primary logistics ADP systems for the initial groups of items and contact the MCLB for assistance in developing off-line, personal computer-based capabilities to produce the transfer documents.

Ultimately, the major advantage from transferring consumable items to DLA lies in the benefits to the ELC's inventory management business strategy and the supply program manager's objective for integrated logistics management. Those gains occur in transfer-related changes to the consumable item management process and from having access to information on DLA's support performance to Coast Guard units. The ability to see the DLA level of performance and to compare it with that of commercial suppliers and its own performance allows the ELC to refine its supply support decisions and look to the sources that offer the best response time at the lowest cost. Having data on Coast Guard support isolated in DLA statistics lets the Service see how well it is being supported compared to DoD's Military Services — a comparison that cannot be made now; without that information, the Coast Guard feeling that it receives the lowest priority support cannot be dispelled. Finally, entering an agreement with DLA to manage consumable items on the basis of an equipment or system's essentiality to operating capability and doing so in ways that best balance responsiveness and cost lets the ELC meet its objectives within its resource levels while following a course of continually improving support to the Coast Guard's ashore and afloat units.

## APPENDIX A

# (DRAFT) Memorandum of Agreement Between the Defense Logistics Agency and the United States Coast Guard

## TRANSFER OF CONSUMABLE ITEMS

THIS MEMORANDUM MAY NOT BE AMENDED OR SUPPLEMENTED WITHOUT THE WRITTEN CONCURRENCE OF BOTH THE DEFENSE LOGISTICS AGENCY AND THE U.S. COAST GUARD.

### Reference

- ◆ COMDTINST M4121.2, (Draft) *Uniform Supply Operations for Coast Guard Inventory Control Points*.
- ◆ DoD Manual 4140.26M, *Defense Integrated Materiel Management Manual for Consumable Items*, (Draft) As modified by DoD policy memorandum of 29 March 1995.
- ◆ DLA Instruction 3200.1, *Engineering Support Procedures for Items Supplied by the Defense Logistics Agency and the General Services Administration*, 31 October 1994.
- ◆ DoD Regulation 4140.1R, *DoD Materiel Management*, January 1993.

### Purpose

The purpose of this memorandum of agreement (MOA) is to establish the responsibilities and procedures for the transfer of integrated materiel management of consumable items between the Coast Guard and the Defense Logistics Agency (DLA). This MOA is applicable only to Coast Guard-unique consumable nonaviation items managed by Supply Centers Curtis Bay and Baltimore, Maryland (and the Coast Guard Engineering Logistics Center [ELC] upon its activation).

## Scope

The provisions of this MOA apply to Headquarters, Defense Logistics Agency; DLA supply centers and distribution depots; the Defense Logistics Services Center; the Defense Automatic Addressing System Office; Headquarters, U.S. Coast Guard; Coast Guard Supply Centers Curtis Bay and Baltimore, Maryland; and all operational Coast Guard activities providing or obtaining materiel support for selected transferable consumable items. The Coast Guard is solely responsible for designation of consumable items to be proposed for transfer to DLA management.

## Policy for Transfer and Item Management

Except as specifically modified by this MOA, policies applicable to the transfer of designated Coast Guard nonaviation consumable items to DLA are contained in References a, b, c, and d and their supporting regulations.

## Procedures

- ◆ Items designated by Coast Guard for transfer to DLA will be managed by DLA regardless of Federal Supply Class assignments between DLA and the General Services Administration (GSA). DLA will not discontinue or relinquish integrated materiel management responsibility for transferred items without coordination by the Coast Guard.
- ◆ Generally, for items selected for transfer, the Coast Guard will follow the procedures of Reference b. This includes scheduling of pre-ETD (effective transfer date) and post-ETD actions. Specific exceptions are as follows:
  - ▶ Items requiring special management techniques and/or processing instructions would not be subject to item management coding change (logistics reassignment) except as agreed to by the Coast Guard.
  - ▶ The Coast Guard will provide item management, technical, and procurement automated data transactions formatted as described in Reference b; and Appendices G, H, and I, for each transferring item. However, data may be produced off line from principal Coast Guard automated information systems. Specific transfer media will be as agreed to jointly by the Coast Guard and DLA. Transfer of hard-copy data will be minimized.
  - ▶ Development of item management coding (IMC) transactions will use procedures to minimize reprogramming of both Coast Guard and DLA automated information systems. Use of Navy IMC procedures is appropriate to facilitate accelerated coding of Coast Guard-unique items into the Federal Logistics Information System (FLIS). DLA and the

Coast Guard will negotiate the applicability and feasibility of future re-programming of FLIS to process Coast Guard IMC transactions.

- ◆ The Coast Guard will establish a permanent Service Item Control Center Office with duties as prescribed in Reference b. The Coast Guard will establish a permanent military billet in the Consumable Item Transfer Office at Headquarters, DLA, as liaison for consumable item management and transfer matters. That position may ultimately be reassigned to DLA's Weapons Systems Readiness Support Office as item transfer actions stabilize. No transfers of civilian personnel between the Coast Guard and DLA are required.
- ◆ DLA will provide the same level of logistics support provided by Coast Guard supply centers based on the historical/estimated demand data transferred as part of the logistics reassignment data transfer. DLA will not reduce Coast Guard stock levels for transferred items for two years. Subsequently, DLA wholesale stockage criteria will apply to provide the same level of support as received by the DoD Military Services.
- ◆ Participation in the DLA weapon system program will be the principal method for automating improved materiel support for transferred Coast Guard items. The Coast Guard will, at its discretion, provide weapon system coding on transferring items using standard DLA coding schema. For critical supply support weapon system items, the Coast Guard will, upon request, attempt to expedite deliveries of materiel against contracts it manages. For items without weapon system codes, DLA will perform item management using standard DoD procedures and systems.
- ◆ Items to be transferred will be grouped and scheduled in significant numbers (25 or more items) as negotiated between the Coast Guard and DLA. Subsequent to the execution of this agreement, DLA and the Coast Guard will expeditiously implement procedural and systems changes necessary to effect item transfers. The initial item ETD will be established not less than 150 days from the date that both DLA and the Coast Guard certify that transfer procedures are in place.
- ◆ For each item selected for transfer, the Coast Guard will provide a full pipeline. Full pipeline is defined as "a sufficient quantity of assets on hand plus on order to satisfy current backorders and to meet forecasted demands through a period equal to the procurement lead-time period plus the safety-level quantity." Transferred materiel will be provided in a serviceable condition; otherwise, the Coast Guard will fund the restoration of transferable materiel to a serviceable condition.
- ◆ The Coast Guard will submit appropriate supply support request (SSR) transactions, as prescribed in Reference b, documenting future Coast Guard below-wholesale requirements for each item selected for transfer. The Coast Guard will identify any special item management techniques or processing requirements over and above normal procedures. The Coast Guard will

also provide a stratification data record format to DLA for each selected transfer item not later than 150 days prior to the ETD and updated formats for items pending transfer every six months until the transfer actions are complete.

- ◆ For new items entering the inventory, for which Coast Guard has determined to request integrated materiel management support from DLA, SSR transactions documenting below-wholesale requirements will be submitted to appropriate DLA supply centers. Transactions will be submitted and processed in accordance with Chapter 4, Reference b.
- ◆ DLA will place a two-year disposal freeze on all consumable items transferred from the Coast Guard under this initiative. Exceptions to this moratorium will be negotiated on a case-by-case basis where significant dollar values of excess inventory exist or written verification has been obtained from the losing inventory manager that excess assets exist above all requirements. An audit trail of all disposal actions will be maintained.
- ◆ DLA will take the necessary action to initiate automated information system changes to separately identify and document the Coast Guard as a Service activity in DoD Military Standard Evaluation Procedures (MILSTEP) reporting.
- ◆ The Coast Guard and DLA will be separately responsible for funding the management and nonautomated information system operating costs of item transfers for their respective activities. Costs of automated information system changes will be borne by the activity owning the impacted system based on the principle that DLA will fund automated information system changes required to provide the Coast Guard with the same support capabilities provided to other Military Services. The Coast Guard will fund changes required to meet Coast Guard-unique requirements and to produce automated transaction formats required for transferring data to DLA. The Coast Guard will provide support, as requested, to DLA in preparing justification packages to perform the required automated information system changes.
- ◆ Wholesale materiel assets will be transferred to DLA on a nonreimbursable basis except that DLA will provide credit reimbursement for materiel delivered to its storage sites from Coast Guard contracts obligated prior to the transfer effective date. The Coast Guard and DLA will negotiate additional funding credits, based on the value of unreimbursed, transferred on-hand inventory, to help offset the increased costs to Coast Guard operating units based on the DLA cost-recovery factor. The Coast Guard will fund credit for materiel returns from customers authorized prior to the effective transfer date regardless of the approved destination for the returns.
- ◆ Mass transfers of material inventory from the Coast Guard to DLA storage sites will generally not occur. Upon capitalization of assets to DLA, the gaining item managers will issue material release orders to Coast Guard

storage sites to draw down wholesale stocks as usage occurs. Such transactions will use military standard formats and procedures. Normally, DLA will fund the transportation costs of such material movement. If the Coast Guard cannot process such transactions, then it will fund physical asset transfers to DoD storage sites. If the Coast Guard determines that mass physical transfer of assets to DoD storage is most economical, it will negotiate such a transfer with DLA and will fund transportation costs.

- ◆ Technical data, as defined in Reference b, will be transferred on all items where available. Although automated, digitized technical data transfer is most desirable, DLA will accept data in the medium currently used by the Coast Guard pending development of an automated Coast Guard capability. Where technical data are not available, the Coast Guard will follow DLA procedures (see References b and c) to provide technical data to support materiel reprocurements. The Coast Guard will fund the costs of acquiring technical data for the first DLA item procurement after ETD. The Coast Guard will develop the future capability, in concert with DLA, to adopt the use of the Joint Engineering Data Management and Information Control System (JEDMICS) data repository system. If required by both parties to this agreement, a more detailed technical data MOA may be developed.
- ◆ The Coast Guard will designate an engineering support focal point to coordinate and track requests for engineering support from DLA supply centers. Additionally, engineering support activities (ESAs) will be assigned to provide specific engineering support and technical decisions for transferred items. DLA will provide annual cost estimates for engineering support.
- ◆ Item workfiles (folders) of management, technical, procurement, and contract administration information will be physically transferred to designated gaining item manager locations in accordance with the transfer schedule negotiated based on procedures in Reference b.
- ◆ Procurement data, as defined in Reference b, will be transferred on all items where available. The Coast Guard will transfer, or otherwise provide for, use of active Coast Guard contracts by DLA whenever possible. Pending purchase request information will be provided by the Coast Guard as described in Reference b, Appendix I.
- ◆ To the extent possible, materiel on order for transferring items scheduled to be delivered to a Coast Guard wholesale storage site after the established transfer date should be diverted to a DoD storage location.
- ◆ The Coast Guard will provide DLA gaining item managers with access to available materiel quality and deficiency reports and will provide appropriate training as required.
- ◆ For transferring items for which a life-of-type buy has been made or a diminishing manufacturing source determination has been made, the Coast

Guard will provide all documentation available to justify retention of inventory.

- ◆ Problems, issues, and disputes resulting from the execution of this MOA will be referred to the Chairperson, Integrated Materiel Management Committee, for resolution.

## Responsibilities

The Defense Logistics Agency will do the following:

- ◆ Accept integrated materiel management responsibility for consumable items proposed for logistics reassignment from the Coast Guard in accordance with DoD policy contained in References b and d.
- ◆ Maintain continuity of materiel management support to the Coast Guard for items transferred to DLA in accordance with Reference b as modified by this agreement.
- ◆ Provide wholesale consumable item support for DLA-managed, Coast Guard-unique items consistent with the criteria of efficiency and effectiveness afforded to the DoD Military Services.
- ◆ Provide management and technical support, as necessary, to implement the provisions of this agreement.

The U.S. Coast Guard will do the following:

- ◆ Develop a conceptual project plan for the transfer of selected nonaviation consumable items to DLA for presentation to the Integrated Materiel Management Committee. That plan will include estimated numbers of items for transfer and general milestones.
- ◆ For items selected for logistics transfer under this agreement, comply with all applicable DoD policies and procedures except as modified by this agreement.
- ◆ Provide management and technical support, as necessary, to implement the provisions of this agreement.
- ◆ Obtain coordination of appropriate Department of Navy officials on this Agreement.

FOR THE  
UNITED STATES COAST GUARD

FOR THE  
DEFENSE LOGISTICS AGENCY

## APPENDIX B

# General Procurement Data Information Sources

| General requirements                                      |
|---|
| Number of competitive/noncompetitive items                |
| Identify commercial off-the-shelf items                   |
| Special tooling and test equipment                        |
| Test requirements   |
| Criticality and essentiality requirements                 |
| Configuration management and engineering change proposals |
| Open long-term contracts                                  |
| Bidders mailing lists                                     |
| Contract past performance information                     |
| Procurement-related data                                  |
| Statements of work  |
| Contract data requirements lists                          |
| Data item descriptions                                    |
| Data rights information                                   |
| Warranty clauses and records                              |
| Bidders lists   |

## APPENDIX C

# Stratification Data Record Format

**Table C-1.**  
*Inventory Stratification Record*

| Data group                               | A/N | Record position |
|--|-----|-----------------|
| NSN                                      | N   | 1 – 13          |
| Year/month (e.g., 306 = June 1993)       | N   | 14 – 16         |
| Materiel acquisition cost                | N   | 17 – 24         |
| Standard price                           | N   | 24 – 31         |
| Unit of issue                            | N   | 32 – 33         |
| Acquisition advice code                  | A/N | 34              |
| Weapon system item essentiality code     | A/N | 35              |
| Due-out quantity                         | N   | 36 – 41         |
| Safety level                             | N   | 42 – 47         |
| Administrative lead time                 | N   | 48 – 53         |
| Procurement lead time                    | N   | 54 – 59         |
| EOQ/procurement cycle                    | N   | 60 – 65         |
| Nondemand based requirements             | N   | 66 – 71         |
| On-hand serviceable                      | N   | 72 – 77         |
| On-hand unserviceable                    | N   | 78 – 83         |
| Contract due-in                          | N   | 84 – 89         |
| Purchase request due-in                  | N   | 90 – 95         |
| Approved retention                       | N   | 96 – 101        |
| Potential reutilization                  | N   | 102 – 107       |
| Quarterly forecasted demand              | N   | 108 – 113       |
| Quarterly forecasted returns             | N   | 114 – 119       |
| Demands (recurring, past 12 months)      | N   | 120 – 125       |
| Demands (nonrecurring, past 12 months)   | N   | 126 – 131       |
| Demand frequency (requisitions per year) | N   | 132 – 137       |

**Note:** This format is presented as an example of a record that could be used by the Coast Guard to begin development of a stratification management information database. Other data elements could be added as required. Data are presented as a transaction record indicating their potential use to transmit information sets among logistics activities. Actual structure of the database may vary.

NSN = National Stock Number; A/N = Army/Navy; EOQ = Economic Order Quantity.

## APPENDIX D

# Examples of Technical Data

### PROCUREMENT/TECHNICAL

Justification and approval for other than full and open competition

Procurement history information

Acquisition method code assignment documentation

Contractor technical information record

Technical procurement support package

Contract data requirements lists

Parts breakdown or reverse engineering packages

Unique or special test requirements

Mylars (master pattern stable base artwork)

Procurement descriptions or commercial item description

Brand name or equal information

Source approval information

First-article information

Limited rights data information

Release of data rights documentation

Quality assurance information

Mandatory inspection information

Waiver/deviation information

Unique storage requirements

Packaging requirements

Bidder list information

Government-furnished property information

Documented quality information

Quality deficiency reports

Inspection and test equipment designs

Critical application information

Industrial preparedness planning information

Copies of current or prior contracts

Statements of work

Kit lists

Qualification requirements

Special contract clauses

Commercial off-the-shelf and nondevelopmental item information

Part number information

Commercial drawing numbers

Lists of unavailable drawings

Organic manufacturing data

Warranty information

Environmental requirements

Hazardous material information

Security requirements

Reliability and maintainability information

Pricing evaluations and histories

Certified sample information

Service-life/time-change information

Contractor performance information

Product baseline description

## INVENTORY MANAGEMENT

Copies of item requirements computation worksheets

Administrative and production lead-time histories

Computations supporting maintenance programs

Copies of purchase requests

Documentation of contract termination actions

Justifications for materiel retention and/or disposals

Justification for insurance item stockage

Requisition and materiel issue records

Records of physical inventories

Other item correspondence/documentation<sup>1</sup>

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<sup>1</sup>The items listed in this appendix were compiled from the draft technical memoranda of agreement between Defense Logistics Agency (DLA) and the DoD Military Services regarding the transfer of technical data to DLA under the consumable item program.

## APPENDIX E

### Glossary

|         |  |
|---------|--|
| A/N     | = Army/Navy  |
| ADP     | = automatic data processing  |
| CIT     | = consumable item transfer   |
| DCMC    | = Defense Contract Management Command                              |
| DLA     | = Defense Logistics Agency   |
| DLSC    | = Defense Logistics Services Center                                |
| DVD     | = direct vendor delivery   |
| ELC     | = Engineering Logistics Center                                     |
| EOQ     | = Economic Order Quantity  |
| ESA     | = engineering support activity                                     |
| ETD     | = effective transfer date  |
| FLIS    | = Federal Logistics Information System                             |
| GIM     | = gaining inventory manager  |
| GSA     | = General Services Administration                                  |
| IM      | = Inventory Manager  |
| IMC     | = item management coding   |
| JEDMICS | = Joint Engineering Data Management and Information Control System |
| MCLB    | = Marine Corps Logistics Base                                      |
| MILSTEP | = Military Standard Evaluation Procedures                          |

MILSTRIP = Military Standard Requisitioning and Issue Procedures  
MOA = memorandum of agreement  
NSN = National Stock Number  
SICC = Service Item Control Center  
SSR = supply support request  
TACOM = Tank-Automotive Command  
U.S.C. = United States Code

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| <p>Transferring Service-unique consumable items to Defense Logistics Agency (DLA) management presents the USCG an opportunity to progress toward major objectives laid out for its integrated logistics system in its business process redesign and organizational streamlining plans. DoD's consumable item transfer program originally attracted the USCG's attention as a potential resource savings initiative. In our initial task, we examined the cost of the USCG's managing its Service-unique items and the additional cost to the units from DLA's surcharge, and found the costs to be comparable. However, we also found there are benefits to the USCG from participating in the consumable item transfer program beyond those directly involving costs. We recommended the USCG implement the DoD consumable item transfer program as one element of a new and improved approach to providing consumable material to afloat and ashore units. Our second report, CG403MR2, <i>Establishing a Comprehensive Consumable Item Management Strategy</i>, April 1996 recommends a stockage decision logic, a management reporting scheme, and various materiel management initiatives to improve consumable item support for current and future equipment and systems.</p> |  |   |  |
| <p>In this report, we address several policy issues perceived to be barriers to transferring items to DLA management. We recommend the course of action for the USCG to follow in resolving those issues. Additionally, we evaluate the current procedures for transferring consumable items and recommend changes to tailor those procedures to suit the USCG. We also provide a draft Memorandum of Understanding for the USCG to use in formalizing the process with DLA. For the items currently stocked by the USCG, we provide a plan and criteria for reviewing and selecting items for transfer. We recommend the review and selection be performed as the initial step in the transfer program and as the test and validation of procedures for implementing in the routine business processes of the new Engineering Logistics Center.</p>  |  |   |  |
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